

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

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| In re: | : | Chapter 11 |
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| CIRCUIT CITY STORES, INC., <u>et al.</u> , | : | Case No. 08-35653-KRH |
| | : | |
| Debtors. | : | (Jointly Administered) |
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**LIMITED OBJECTION BY CERTAIN LANDLORDS
TO THE DEBTORS' MOTION FOR ORDERS UNDER 11 U.S.C. §§ 105, 363,
AND 365 (I) APPROVING BIDDING AND AUCTION PROCEDURES FOR SALE
OF UNEXPIRED NONRESIDENTIAL REAL PROPERTY LEASES
FOR CLOSING STORES, (II) SETTING SALE HEARING DATE, AND
(III) AUTHORIZING AND APPROVING (A) SALE OF CERTAIN
NONRESIDENTIAL REAL PROPERTY LEASES FREE AND CLEAR OF
LIENS, CLAIMS, AND ENCUMBRANCES, (B) ASSUMPTION AND
ASSIGNMENT OF CERTAIN UNEXPIRED NONRESIDENTIAL REAL
PROPERTY LEASES, AND (C) LEASE REJECTION PROCEDURES**

Cardinal Capital Partners, The Balogh Companies, and certain of their affiliates as set forth on Schedule A attached hereto (collectively, the "Landlords"), by counsel, hereby files this limited objection (the "Objection") to the relief requested in the Debtors' Motion for Orders under 11 U.S.C. §§ 105, 363, and 365 (I) Approving Bidding and Auction Procedures for Sale of Unexpired Nonresidential Real Property Leases for Closing Stores, (II) Setting Sale Hearing Date, and (III) Authorizing and Approving (A) Sale of Certain Nonresidential Real Property Leases Free and Clear of Liens, Claims, and

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Counsel for Cardinal Capital Partners and Affiliates

Encumbrances, (B) Assumption and Assignment of Certain Unexpired Nonresidential Real Property Leases, and (C) Lease Rejection Procedures (the “Auction Motion”), and in support thereof, represent as follows:

Introduction

1. On November 10, 2008 (the “Petition Date”), the above-captioned debtors (the “Debtors”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, as amended (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division (the “Bankruptcy Court”).

Limited Objection

2. As of the Petition Date, the Landlords were landlords and certain of the Debtors were tenants pursuant to a total of 15 unexpired leases of nonresidential real property (the “Leases”) for (i) stand-alone retail stores; and (ii) distribution and/or warehouse facilities.

3. Pursuant to the Auction Motion, the Debtors seek to establish a tight timetable for the filing of 11 U.S.C. § 365(b) “cure” claims; the submission of bids, holding an auction, filing objections and holding a hearing to approve the possible sale, assumption and assignment of leases (the “Auction Schedule”).

4. The Auction Schedule affords insufficient time to permit meaningful discovery as to possible proposed assignees of Leases and thus the December 22, 2008 hearing should be limited to approving consensual assignments of Leases only and should serve as a status conference to consider discovery schedules as to any contested proposed

lease assignments. Furthermore, given the highly compressed timetable, Landlords should have the right to raise any objections at the sale hearing.

5. The proposed bidding procedures should allow for landlords to “credit bid” the amount of any undisputed cure claims and the Landlords should not be required to submit any information other than an offer to terminate a lease for which it is the landlord.

6. Finally, the lease rejection procedures should be clarified such that all leases will be rejected as of December 31, 2008 unless there is a pending proposed assignment of that lease. The proposed form of order states that leases could be rejected either as of December 31, 2008 or as of the sale hearing, December 22, 2008, if the Debtors determine not to prosecute a proposed lease assignment. Lease rejections as of December 22, 2008, on effectively no notice and just in advance of Christmas, would be needlessly prejudicial to the Landlords and does not appear necessary to protect the interests of the Debtors.

7. Additionally, the lease rejection procedures should provide that the Leases will be rejected as of the later of: (i) the date all keys are surrendered to the Landlord, (ii) the removal of all of the Debtors’ property from the demised premises; and (iii) December 31, 2008.

WHEREFORE: the Landlords request that the court enter an order:

- a. sustaining this Limited Objection;
- b. modifying the auction schedule and lease rejection procedures so as to be consistent with this Limited Objection; and
- c. granting the Landlords such other and further relief as the court deems appropriate.

Dated: December 3, 2008
Richmond, Virginia

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Counsel for the Landlords

CERTIFICATE OF SERVICE

I hereby certify that on December 3, 2008, a copy of the foregoing Limited Objection by Certain Landlords to the Debtors' Motion for Orders Under 11 U.S.C. §§ 105, 363, and 365 (I) Approving Bidding and Auction Procedures for Sale of Unexpired Nonresidential Real Property Leases for Closing Stores, (II) Setting Sale Hearing Date, and (III) Authorizing and Approving (A) Sale of Certain Nonresidential Real Property Leases Free and Clear of Liens, Claim, and Encumbrances, (B) Assumption and Assignment of Certain Unexpired Nonresidential Real Property Leases, and (C) Lease Rejection Procedures of Appearance and Request for Service of Papers was served by electronic means via the Court's ECF/CM system, and to the following:

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SCHEDULE A

| THE BALOGH COMPANIES | | | | | |
|---------------------------|--|---|----------|--|--|
| Store Nos. | Entity | Property Address | Comments | | |
| 825 | Circuit Investors #2 Ltd., a Texas Partnership | 3551 32nd Avenue Marlow Heights, MD 20748 | Auction | | |
| 3501 | Circuit Investors #2 Ltd., a Texas Partnership | 10400 N Cental Expressway Dallas, TX 75231 | Auction | | |
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| CARDINAL CAPITAL PARTNERS | | | | | |
| 3303 | | 600 West Hillcrest DriveThousand Oaks, CA | Auction | | |
| 4303 | | 1560 Gateway Boulevard Fairfield, CA | Auction | | |
| 3124 | | 551 N. Milwaukee Ave.Vernon Hills, IL | Auction | | |